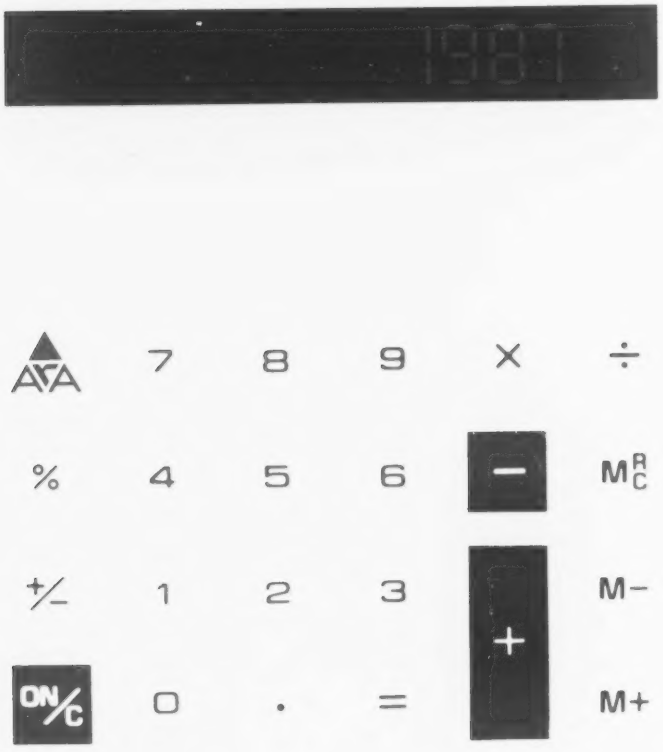
Cost of Doing Business Survey



COST OF DOING BUSINESS SURVEY

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A REVIEW OF 1987

The profitability of rental equipment firms remained high in 1987. Pre-tax return on investment was 19.5 percent of net worth, and average return on revenues was 6.3 percent.

The average total revenue for all 446 respondents was $1,395,500 in 1987, compared to $1,305,800 in 1986. The distribution of respondents by revenue groups for the last three years was:

	Number of Respondents		
Revenue Groups	1987	1986	1985
0 to $200,000	48	49	69
$200,001 to $500,000	134	153	177
$500,001 to $1 million	123	108	121
$1 million to $2.5 million	82	96	91
$2½ million to $5 million	32	29	33
Over $5 million	27	24	22
Total Respondents	446	459	513

Figures 1 and 2 show sources of revenues and major expenses for all respondents. Figures 3 and 4 present the ratio of operating profit to gross operating profit for 1985-1987 by size and for 1984-1987 by source of revenue and type of equipment rented

Profitability Related to Size of Firm

Average net income before taxes increased in 1987 in half the size categories, including those firms with over $5 million in revenues. Total profits of the 446 firms exceeded $39 million. The following table compares these averages for the last three years:

Size of Firm	$Average Pretax Earnings		
(Revenues)	1987	1986	1985
0 to $200,000	$ 3,908	$ 2,760	$ 2,840
$200,001-$500,000	20,427	21,190	24,560
$500,001-$1 million	43,933	42,840	47,930
$1 million-$2.5 million	85,084	99,710	101,800
$2.5 million-$5 million	180,573	209,470	184,770
Over $5 million	680,984	620,090	622,090

Return on investment (ROI) was highest for the larger firms — 25.0 percent. Return on total assets also was highest in the largest sized firms (9.2 percent) followed closely by the firms in the $1-to-$2.5 million size category (8.9 percent).

Profitability Related to Source of revenues

Return on investment was slightly higher for the firms having more than 70 percent of revenues from rentals, at 20.1 percent, compared to 18.6 percent for those deriving less than 70 percent from rentals. The highest return on investment in the rental-oriented firms was recorded by those firms with more than $5 million in total revenues, an ROI of 25.1 percent. Of the sales-oriented firms, the highest return on investment also was reported by those firms in the $5 million-or-more revenue size at 24.9 percent.

Profitability by Type of Equipment Rented

Firms in all three categories — construction and industrial, general rental and medical-party — reported excellent average return on investment, all in the 18.7-to-20.0 percent range. Return on revenues was slightly higher (6.4 percent) for construction and industrial and general rental. Profits on rental investment were highest for medical-party firms (25.7 percent).

Profitability Related to Regions

Firms in Region Six (Midwest) and Region One (Northeast) earned the highest average return on investment in 1987 (24.7 and 23.5 percent respectively). However, Canadian rental firms far exceeded all U.S. firms, earning an average return on investment of 36.7 percent.

Generally poor economic conditions in Region Seven (Rocky Mountain) led to the only negative ROI — minus 2.3 percent. This compared with 15.5 percent in 1986.

Expenses

Labor costs (salaries, wages and benefits) dropped slightly to 37.8 percent of gross operating profit compared to 38.3 percent in 1986.

Interest expense (2.68 percent of total operating income) was the lowest of the past five years. Association and travel expense (0.53 percent) also was below the previous four years. Legal and accounting increased to 0.94 percent, compared with 0.87 percent in 1986 and 0.73 percent in 1985.

Medical-party firms spend a substantially higher proportion of their expenses on occupancy (8.0

percent vs. 4.3 percent for those firms in construction and industrial and 6.5 percent for firms in general rental). Labor expenses as a proportion of operating income also are substantially higher for medical-party firms.

Financial Condition

The net worth of all respondents decreased from 44.7 percent of total assets in 1986 to 44.1 percent in 1987. However, the current ratio was 1.39-to-1 in 1987, up slightly compared to the 1.34-to-1 reported in 1986. The acid test ratio (.84-to-1) in 1987 was also up compared with 1986 (.76-to-1).

Average collection days for accounts receivable rose to 40 days in 1987, an increase of one day over the previous year.

The leverage ratio of total liabilities to net worth increased from 1.24-to-1 in 1986 to 1.27-to-1 in 1987.

As a percentage of total assets, inventories dropped substantially in 1987 to 10.7 percent vs. 13.5 percent a year earlier.

Definitions of all ratios are shown in the table of financial data for all respondents on page 4.

Other Financial Indicators

Rental income to net rental investment (after accumulated depreciation) increased slightly from 1.92 times in 1986 to 1.99 times in 1987; and rental revenues to equipment cost remained steady at .89 times.

Other Information

Explanations of some of the major classifications of income, expense and balance-sheet items are shown on page 29. The California Rental Association assisted in the survey again this year through a special mailing to its members.

FIGURE 1. SOURCES OF REVENUE 446 RESPONDENTS, 1987

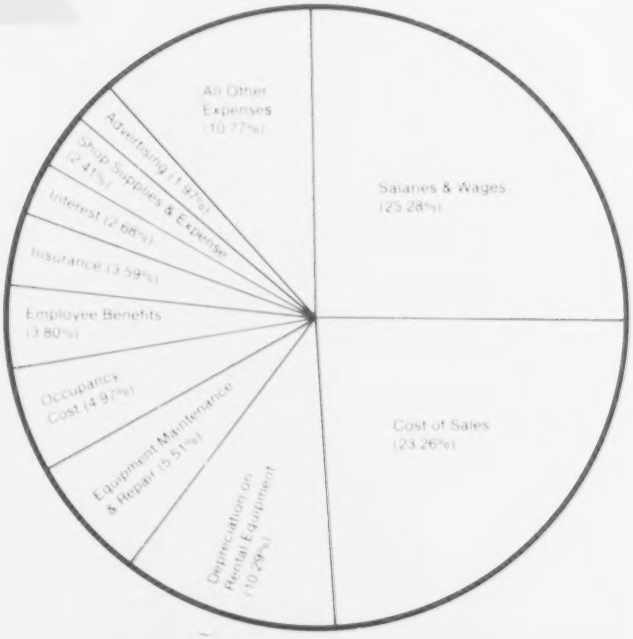


FIGURE 2. MAJOR EXPENSE CATEGORIES, 446 RESPONDENTS, 1987

FIGURE 3. RATIO OF OPERATING PROFIT TO GROSS OPERATING PROFIT BY REVENUE CATEGORY, 1985-1987

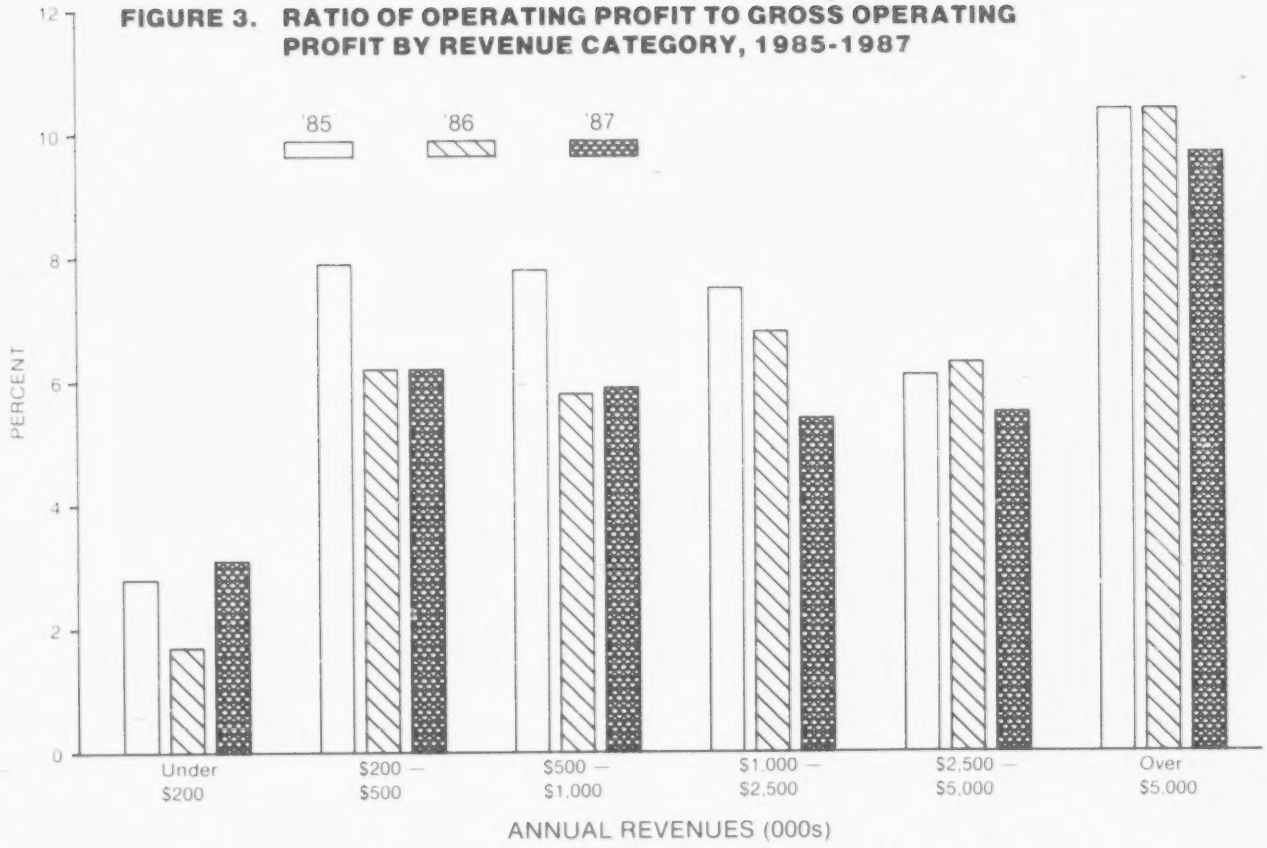
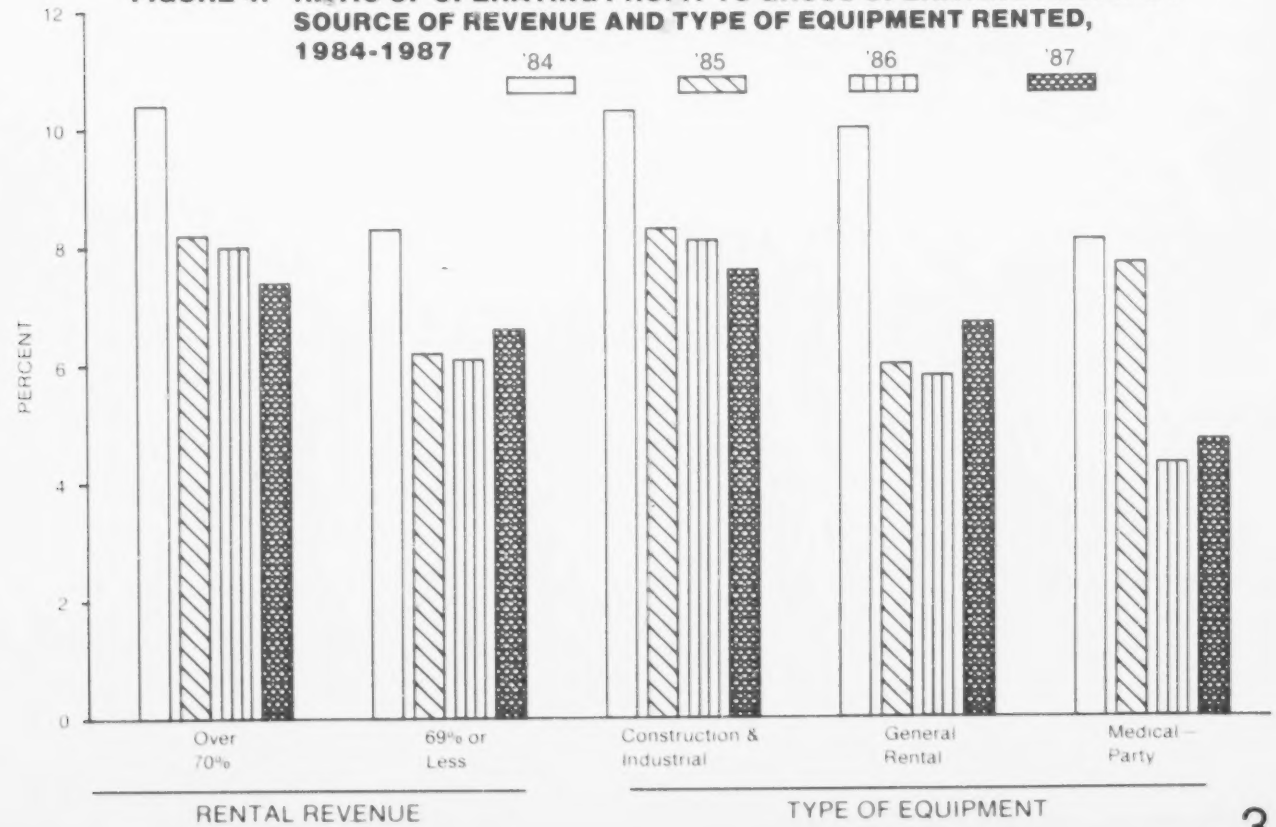


FIGURE 4. RATIO OF OPERATING PROFIT TO GROSS OPERATING PROFIT BY SOURCE OF REVENUE AND TYPE OF EQUIPMENT RENTED, 1984-1987



SECTION I. FINANCIAL DATA FOR ALL RESPONDENTS

The 446 responding firms had average revenues of $1,395,527 up 6.9 percent from the $1,305,794 reported in 1986.

Key financial ratios for 1987 and three prior years are shown below.

FINANCIAL RATIOS	1987	1986	1985	1984
CURRENT RATIO (current assets ÷ current liabilities)	1.39	1.34	1.35	1.43
ACID TEST RATIO (cash, marketable securities and accounts receivable ÷ current liabilities)	.84	.76	.79	.89
TOTAL DEBT TO NET WORTH (total liabilities ÷ net worth)	1.27	1.24	1.16	1.12
RETURN ON INVESTMENT (net income before taxes ÷ net worth)	19.5%	20.0%	20.2%	24.5%
RETURN ON TOTAL ASSETS (net income before taxes ÷ total assets)	8.6%	8.9%	9.3%	11.5%
RETURN ON REVENUES (net income before taxes ÷ revenues)	6.3%	6.4%	6.5%	8.1%
AVERAGE COLLECTION PERIOD (accounts receivable ÷ average daily revenues)	40 days	39 days	37 days	37 days
PROFITS ON RENTAL INVESTMENT (net income before taxes ÷ net rental equipment)	19.6%	19.7%	19.8%	25.0%
TOTAL REVENUES TO RENTAL INVESTMENT (total revenues ÷ net rental equipment)	3.09 times	3.06 times	3.03 times	3.08 times
RENTAL REVENUES TO RENTAL INVESTMENT (rental income ÷ net rental equipment)	1.99 times	1.92 times	1.90 times	2.03 times
RENTAL REVENUES TO EQUIPMENT COST (rental income ÷ cost of rental equipment)	.89 times	.88 times	.83 times	.88 times

Shown below is a table containing the ratio of major expenses and net operating profit to gross operating profit for all respondents.

PERCENTS OF GROSS OPERATING PROFIT:				
Salaries & Wages	32.9%	33.1%	32.6%	32.6%
Employee Benefits	4.9	5.2	4.7	4.5
TOTAL	37.8	38.3	37.3	37.1
Depreciation (All)	15.7	15.0	15.3	14.3
Occupancy Cost	6.5	6.7	6.3	6.8
Equipment Maintenance & Repair	7.2	7.0	8.1	8.3
Interest	3.5	3.8	3.8	3.9
Advertising & Promotion	2.6	2.6	2.4	2.6
Insurance	4.7	4.5	3.2	2.7
Shop Supplies & Expense	3.1	3.0	3.8	2.9
OPERATING PROFIT	7.1	7.5	7.8	9.9

Table I-1 reports income and expense percentages on an aggregated basis for all firms responding in 1983 through 1987. Table I-2 contains more detail on expenses, and Table I-3 presents balance sheets percentages for the five years.

TABLE I-1. SUMMARY OF INCOME AND EXPENSE, ALL RESPONDENTS

Income & Expense Categories	1987 Percent of Total Income	1986 Percent of Total Income	1985 Percent of Total Income	1984 Percent of Total Income	1983 Percent of Total Income	Insert Your Own Percents Here
Rental Income	64.52	62.75	62.76	65.83	68.96	
Merchandise & Equipment Sales	28.72	31.97	30.76	28.42	25.44	
Other Operating Income	6.76	5.29	6.48	5.75	5.60	
Total Operating Income	100.00	100.00	100.00	100.00	100.00	
Less Cost of Sales	23.26	24.69	23.54	21.44	19.72	
Gross Operating Profit	76.74	75.31	76.46	78.56	80.28	
OPERATING EXPENSES:						
Salaries & Wages	25.28	24.96	24.91	25.63	27.08	
Employee Benefits & Taxes	3.80	3.90	3.60	3.55	3.64	
Equipment Maintenance & Repair	5.51	5.29	6.18	6.55	6.42	
Shop Supplies & Expense	2.41	2.28	2.94	2.28	2.32	
Occupancy Cost	4.97	5.03	4.78	5.34	5.39	
Bad Debts Expense	0.92	0.90	0.89	1.05	0.79	
Office Supplies & Expenses	1.03	0.97	1.10	1.07	1.16	
Associations & Travel Expense	0.53	0.63	0.68	0.70	0.68	
Legal & Accounting	0.94	0.87	0.73	0.80	0.77	
Telephone & Other Communications	0.80	0.82	0.85	0.83	0.96	
Automobile & Truck Expense	1.67	1.60	1.60	1.68	1.84	
Insurance	3.59	3.37	2.47	2.09	2.25	
Advertising & Promotion	1.97	1.94	1.86	2.02	2.21	
Other Taxes	1.01	1.07	0.99	0.96	1.08	
Interest	2.68	2.83	2.90	3.03	3.25	
Franchise Fees	0.19	0.09	0.06	0.27	0.30	
Depreciation, Non-Rental Equipment	1.75	1.62	1.64	1.55	1.74	
Other Operating Expenses	1.93	1.87	2.25	1.65	2.22	
TOTAL OPERATING EXPENSES	60.97	60.03	60.41	61.05	64.10	
Operating Profit Before Rental Depr.	15.77	15.27	16.05	17.51	16.17	
Depreciation on Rental Equipment	10.29	9.65	10.09	9.70	10.52	
OPERATING PROFIT	5.48	5.62	5.95	7.82	5.65	
Other Income & Expense (Net)	0.86	0.81	0.58	0.31	0.72	
NET INCOME BEFORE INCOME TAXES	6.34	6.43	6.54	8.13	6.37	
NUMBER OF RESPONDENTS	446	459	513	376	363	

NOTE: Due to rounding, percentages may not add to the one-hundredth of a percent.

TABLE I-2. EXPENSES AS A PERCENT OF GROSS OPERATING PROFIT

EXPENSE CATEGORIES	1987	1986	1985	1984	1983	Insert Your Own Percents Here
GROSS OPERATING PROFITS	100.00	100.00	100.00	100.00	100.00	
EXPENSES:						
Salaries & Wages	32.94	33.15	32.58	32.63	33.74	
Employee Benefits & Taxes	4.95	5.18	4.71	4.52	4.53	
Equipment Maintenance & Repair	7.18	7.02	8.09	8.33	7.99	
Shop Supplies & Expense	3.14	3.02	3.84	2.90	2.89	
Occupancy Cost	6.47	6.68	6.25	6.80	6.72	
Bad Debt Expense	1.20	1.19	1.16	1.33	.98	
Office Supplies & Expense	1.34	1.28	1.44	1.37	1.45	
Association & Travel Expense	.69	.83	.89	.89	.85	
Legal & Accounting	1.22	1.16	.95	1.02	.95	
Telephone & Other Communications	1.05	1.09	1.11	1.06	1.19	
Automobile & Truck Expense	2.18	2.13	2.09	2.14	2.29	
Insurance	4.68	4.48	3.23	2.66	2.81	
Advertising & Promotion	2.56	2.57	2.44	2.57	2.76	
Other Taxes	1.31	1.42	1.29	1.22	1.34	
Interest	3.49	3.76	3.79	3.86	4.05	
Franchise Fees	.25	.12	.07	.34	.38	
Depreciation, Non-Rental Equipment	2.28	2.15	2.14	1.97	2.17	
Other Operating Expenses	2.52	2.49	2.94	2.10	2.76	
Depreciation on Rental Equipment	13.41	12.82	13.20	12.34	13.10	
OPERATING PROFIT	7.14	7.46	7.79	9.95	7.04	

TABLE I-3. SUMMARY OF BALANCE SHEETS, ALL RESPONDENTS

	1987 Percents	1986 Percents	1985 Percents	1984 Percents	1983 Percents	Insert Your Own Percents Here
CURRENT ASSETS:						
Cash	6.16	6.23	5.68	7.68	8.09	
Accounts Receivable (Net)	14.95	14.75	14.41	14.27	13.05	
Merchandise Inventories	10.68	13.46	10.92	9.94	9.91	
Marketable Securities	1.57	1.23	0.90	0.69	0.87	
Prepaid Expenses	1.41	1.34	1.61	1.20	1.25	
Supplies Inventory	1.39	0.43	0.44	0.35	0.24	
Other Current Assets	1.26	1.72	2.20	2.10	1.65	
Total Current Assets	37.44	39.16	36.16	36.23	35.06	
Rental Equipment—Net Book Value	43.96	45.48	47.12	46.11	45.58	
Other Fixed Assets—Net Book Value	14.55	12.38	13.81	14.52	15.73	
Total Fixed Assets	58.51	57.86	60.93	60.64	61.31	
Other Assets	4.06	2.98	2.91	3.13	3.64	
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	
CURRENT LIABILITIES:						
Accounts Payable	6.67	7.51	6.87	7.49	6.70	
Current Notes Payable	13.62	14.52	13.66	11.54	10.35	
Contracts Payable	1.99	2.26	1.09	1.05	1.98	
Customers' Rental Deposits	0.23	0.23	0.22	0.18	0.30	
Accrued Expenses	2.22	2.06	1.95	2.43	2.68	
Taxes Payable	1.69	1.48	1.55	1.49	1.56	
Other Current Liabilities	0.59	1.16	1.38	1.16	1.09	
Total Current Liabilities	27.01	29.22	26.73	25.34	24.66	
Long-Term Debt	26.47	23.23	24.78	24.65	23.62	
Other Liabilities	2.38	2.83	2.26	2.85	2.47	
Total Liabilities	55.86	55.28	53.78	52.84	50.74	
Net Worth	44.14	44.72	46.22	47.16	49.26	
TOTAL LIABILITIES & NET WORTH	100.00	100.00	100.00	100.00	100.00	
NUMBER OF RESPONDENTS	446	459	513	376	363	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

SECTION II. FINANCIAL DATA RELATED TO SIZE OF FIRM

Tables II-1 through II-3 present average income and expense, average balance sheet, and financial ratios for 1985-1987 for rental firms in six size categories. Figure II-1 below contains return on investment for firms in each size category for 1983 through 1987.

Legend (Annual Revenue)

$ 000—$200,000	———
$200,001—$500,000	. . . . .
$500,001—$1 Million	— · — · — · —
$1 Million—$2.5 Million	- - - - - - -
$2.5 Million—$5 Million	═══
Over $5 Million	x x x x x x x x x x x

FIGURE II-1. RETURN ON INVESTMENT BY SIZE OF FIRM, 1983-1987.

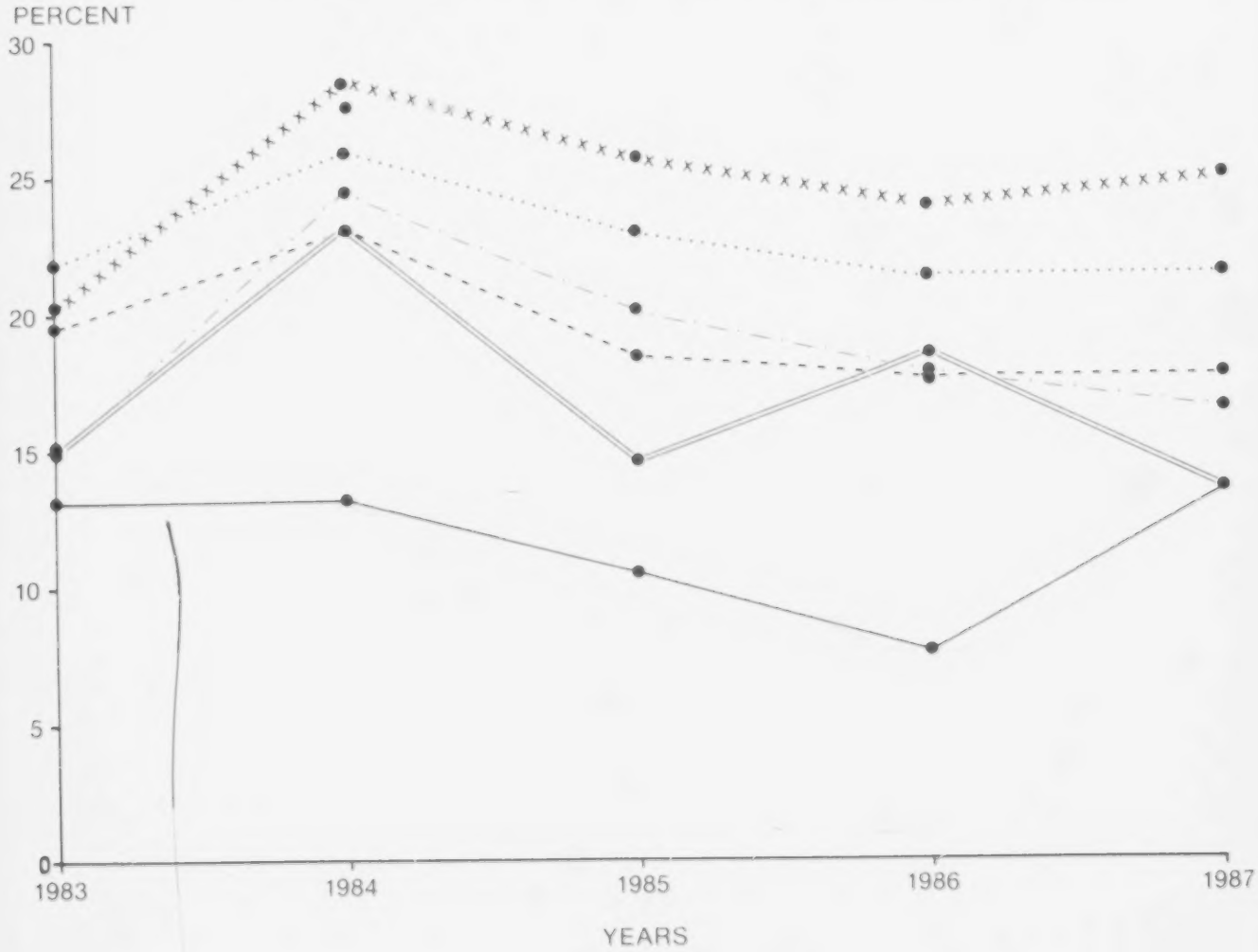


TABLE II-1. AVERAGE INCOME AND EXPENSE BY ANNUAL REVENUE, 1987

	$000—$200,000		$200,001—$500,000		$500,001—$1 Mill.		$1 Mill —$2.5 Mill.		$2.5 Mill.—$5 Mill.		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
Rental Income	112,066	84.73	254,026	74.74	521,667	75.09	1,048,177	70.57	2,016,064	60.68	5,464,043	57.42
Merchandise & Equipment Sales	15,332	11.59	60,282	17.74	141,635	20.39	356,405	23.99	954,111	28.72	3,435,348	36.10
Other Operating Income	4,860	3.67	25,555	7.52	31,420	4.52	80,802	5.44	352,503	10.61	616,803	6.48
Total Operating Income	132,258	100.00	339,863	100.00	694,721	100.00	1,485,384	100.00	3,322,678	100.00	9,516,193	100.00
Less Cost of Sales	14,106	10.67	46,186	13.59	102,151	14.70	271,260	18.26	757,443	22.80	2,921,034	30.70
Gross Operating Profit	118,152	89.33	293,678	86.41	592,571	85.30	1,214,124	81.74	2,565,235	77.20	6,595,159	69.30
OPERATING EXPENSES												
Salaries & Wages	32,535	24.60	96,049	28.26	207,550	29.88	437,265	29.44	890,570	26.80	1,962,937	20.63
Employee Benefits & Taxes	3,920	2.96	12,795	3.76	30,105	4.33	69,663	4.69	138,554	4.17	291,884	3.07
Equipment Maintenance & Repair	6,772	5.12	18,730	5.51	38,969	5.61	77,811	5.24	177,242	5.33	541,470	5.69
Shop Supplies & Expense	4,919	3.72	15,325	4.51	22,988	3.31	40,747	2.74	62,228	1.87	169,198	1.78
Occupancy Cost	13,986	10.57	24,501	7.21	44,710	6.44	83,981	5.65	138,791	4.18	375,314	3.94
Bad Debts Expense	480	0.36	1,256	0.37	5,527	0.80	12,871	0.87	35,178	1.06	98,548	1.04
Office Supplies & Expense	2,103	1.59	4,117	1.21	8,443	1.22	19,190	1.29	42,136	1.27	66,947	0.70
Associations & Travel Expense	998	0.75	2,623	0.77	4,687	0.67	8,685	0.58	17,469	0.53	38,500	0.40
Legal & Accounting	1,239	0.94	2,954	0.87	7,366	1.06	13,709	0.92	25,825	0.78	93,668	0.98
Telephone & Other Communications	1,797	1.36	3,684	1.08	5,191	0.75	11,777	0.79	27,597	0.83	71,916	0.76
Automobile & Truck Expense	2,541	1.92	5,300	1.56	9,574	1.38	24,121	1.62	57,353	1.73	169,227	1.78
Insurance	6,354	4.80	14,686	4.32	32,181	4.63	61,556	4.14	155,595	4.68	225,157	2.37
Advertising & Promotion	5,022	3.80	9,840	2.90	18,429	2.65	34,613	2.33	56,241	1.69	139,806	1.47
Other Taxes	1,409	1.07	4,362	1.28	6,825	0.98	16,853	1.13	42,839	1.29	74,714	0.79
Interest	5,950	4.50	11,482	3.38	18,626	2.68	36,655	2.47	73,817	2.22	266,772	2.80
Franchise Fees	259	0.20	669	0.20	655	0.09	114	0.01	8,636	0.26	26,600	0.28
Depreciation, Non-Rental Equipment	3,179	2.40	6,695	1.97	14,833	2.14	29,708	2.00	65,716	1.98	129,189	1.36
Other Operating Expenses	1,578	1.19	5,575	1.64	9,442	1.36	26,118	1.76	72,892	2.19	206,392	2.17
TOTAL OPERATING EXPENSES	95,041	71.86	240,643	70.81	486,101	69.97	1,005,438	67.69	2,088,681	62.86	4,948,240	52.00
Operating Profit Before Rental Depr.	23,111	17.47	53,035	15.60	106,469	15.33	208,686	14.05	476,555	14.34	1,646,920	17.31
Depreciation on Rental Equipment	19,428	14.69	34,760	10.23	71,436	10.28	142,947	9.62	335,861	10.11	1,007,042	10.58
OPERATING PROFIT	3,683	2.78	18,274	5.38	35,033	5.04	65,739	4.43	140,694	4.23	639,878	6.72
Other Income & Expense (Net)	225	0.17	2,153	0.63	8,899	1.28	19,345	1.30	39,879	1.20	41,106	0.43
NET INCOME BEFORE INCOME TAXES	3,908	2.95	20,427	6.01	43,933	6.32	85,084	5.73	180,573	5.43	680,984	7.16
NUMBER OF RESPONDENTS	48		134		123		82		32		27	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE II-2. AVERAGE BALANCE SHEETS BY ANNUAL REVENUE, 1987

	$000—$200,000		$200,001—$500,000		$500,001—$1 Mill.		$1 Mill.—$2.5 Mill.		$2.5 Mill.—$5 Mill.		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
CURRENT ASSETS												
Cash	6,428	5.17	23,826	9.59	46,995	9.39	91,870	9.57	102,945	4.17	300,689	4.07
Accounts Receivable (Net)	7,519	6.04	24,387	9.82	55,789	11.14	124,399	12.96	398,424	16.12	1,297,654	17.58
Merchandise Inventories	13,179	10.60	24,648	9.92	41,644	8.32	93,196	9.71	316,786	12.82	818,169	11.08
Marketable Securities	179	0.14	4,632	1.87	17,339	3.46	19,008	1.98	51,181	2.07	46,351	0.63
Prepaid Expenses	1,849	1.49	3,562	1.43	7,409	1.48	14,090	1.47	46,515	1.88	86,066	1.17
Supplies Inventory	892	0.72	870	0.35	2,228	0.45	4,088	0.43	13,923	0.56	191,525	2.59
Other Current Assets	2,265	1.82	1,606	0.65	6,840	1.37	14,443	1.50	15,102	0.61	108,478	1.47
Total Current Assets	32,311	25.98	83,531	33.63	178,244	35.60	361,093	37.63	944,875	38.24	2,848,932	38.59
Rental Equipment—Net Book Value	72,757	58.49	108,041	43.50	220,838	44.11	425,655	44.35	1,118,882	45.28	3,165,372	42.87
Other Fixed Assets—Net Book Value	17,073	13.73	48,747	19.63	87,431	17.46	149,532	15.58	354,796	14.36	922,318	12.49
Total Fixed Assets	89,829	72.22	156,788	63.12	308,269	61.57	575,186	59.93	1,473,679	59.64	4,087,690	55.37
Other Assets	2,247	1.81	8,059	3.24	14,175	2.83	23,407	2.44	52,505	2.12	446,431	6.05
TOTAL ASSETS	124,387	100.00	248,378	100.00	500,689	100.00	959,686	100.00	2,471,059	100.00	7,383,054	100.00
CURRENT LIABILITIES												
Accounts Payable	7,124	5.73	10,562	4.25	23,856	4.76	72,045	7.51	155,189	6.28	554,853	7.52
Current Notes Payable	13,092	10.53	33,008	13.29	55,775	11.14	82,653	8.61	286,991	11.61	1,277,366	17.30
Contracts Payable	3,949	3.18	4,886	1.97	6,354	1.27	23,628	2.46	14,654	0.59	188,762	2.56
Customers' Rental Deposits	257	0.21	669	0.27	877	0.18	2,203	0.23	4,612	0.19	18,950	0.26
Accrued Expenses	534	0.43	4,224	1.70	6,873	1.37	17,532	1.83	56,965	2.31	203,075	2.75
Taxes Payable	2,023	1.63	4,422	1.78	7,339	1.47	14,709	1.53	27,809	1.13	149,958	2.03
Other Current Liabilities	3,850	3.10	1,430	0.58	2,687	0.54	4,098	0.43	3,354	0.14	56,661	0.77
Total Current Liabilities	30,829	24.78	59,202	23.84	103,761	20.72	216,868	22.60	549,574	22.24	2,449,625	33.18
Long-Term Debt	57,314	46.08	86,386	34.78	111,185	22.21	233,837	24.37	523,356	21.18	2,121,425	28.73
Other Liabilities	7,351	5.91	7,239	2.91	19,273	3.85	29,327	3.06	74,466	3.01	89,965	1.22
Total Liabilities	95,494	76.77	152,827	61.53	234,219	46.78	480,032	50.02	1,147,397	46.43	4,661,015	63.13
Net Worth	28,893	23.23	95,551	38.47	266,470	53.22	479,655	49.98	1,323,663	53.57	2,722,039	36.87
TOTAL LIABILITIES & NET WORTH	124,387	100.00	248,378	100.00	500,689	100.00	959,686	100.00	2,471,059	100.00	7,383,054	100.00
NUMBER OF RESPONDENTS	48		134		123		82		32		27	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE II-3. FINANCIAL RATIOS BY REVENUE CATEGORY, 1985-1987

Financial Ratio	$000—$200,000			$200,001—$500,000			$500,001—$1 Mill.			$1 Mill.—$2.5 Mill.			$2.5 Mill.—$5 Mill.			Over $5 Million		
	1987	1986	1985	1987	1986	1985	1987	1986	1985	1987	1986	1985	1987	1986	1985	1987	1986	1985
Current Ratio	1.05	1.11	1.07	1.41	1.35	1.39	1.72	1.80	1.40	1.67	1.50	1.42	1.72	1.22	1.37	1.16	1.24	1.29
Acid Test Ratio	.46	.76	.53	.89	.89	.86	1.16	1.12	.79	1.08	1.03	.90	1.01	.68	.73	.67	.59	.74
Debt to Net Worth Ratio	3.31	2.44	3.29	1.60	1.40	1.23	.88	1.03	1.13	1.00	.91	.97	.87	1.38	1.02	1.71	1.46	1.38
Return on Investment (Expressed	13.5	7.6	10.5	21.4	21.3	22.9	16.5	17.8	20.1	17.7	17.6	18.4	13.6	18.5	14.6	25.0	23.9	25.7
Return on Total Assets in	3.1	2.2	2.4	8.2	8.8	10.3	8.8	8.8	9.4	8.9	9.2	9.3	7.3	7.8	7.3	9.2	9.7	10.8
Return on Revenues (percentages)	3.0	2.0	2.1	6.0	6.4	7.5	6.3	6.1	6.8	5.7	6.3	6.5	5.4	6.1	5.2	7.2	6.9	7.2
Average Collection Period (Days)	21	22	14	26	21	21	29	27	26	31	36	36	44	39	34	50	49	50
Profits on Rental Investment (Expressed in percentages)	5.4	4.2	4.7	18.9	19.7	20.9	19.9	19.1	19.8	20.0	18.3	18.4	16.1	14.8	14.9	21.5	25.4	25.8
Total Revenues to Rental Investment	1.8	2.1	2.2	3.1	3.1	2.8	3.1	3.1	2.9	3.5	2.9	2.8	3.0	2.4	2.9	3.0	3.7	3.6
Rental Revenues to Rental Investment	1.5	1.7	1.8	2.4	2.4	2.2	2.4	2.3	2.1	2.5	2.0	1.9	1.8	1.6	1.6	1.7	1.8	2.0
Rental Revenues to Equipment Cost	.8	.9	.8	.9	.9	.9	.9	.9	.9	.9	.9	.8	.8	.8	.7	.9	.9	.9
PERCENTS OF GROSS OPERATING PROFIT:																		
Salaries & Wages	27.5	27.8	29.4	32.7	31.8	31.5	35.0	35.0	34.9	36.0	34.4	33.6	34.7	31.9	30.8	29.8	32.5	32.2
Employee Benefits	3.3	3.2	3.8	4.4	4.5	4.2	5.1	4.7	4.9	5.7	5.9	5.2	5.4	6.1	4.8	4.4	4.5	4.4
Total	30.8	31.0	33.2	37.1	36.3	35.7	40.1	39.7	39.8	41.7	40.3	38.8	40.1	38.0	35.6	34.2	37.0	36.6
Depreciation (All)	19.1	15.4	16.3	14.1	14.0	14.8	14.6	15.4	14.5	14.2	15.1	15.6	15.7	16.1	16.5	17.2	14.2	15.0
Occupancy Cost	11.8	11.4	11.1	8.3	8.3	8.2	7.5	7.6	7.1	6.9	6.6	6.0	5.4	5.7	5.4	5.7	6.1	5.5
Equipment Maintenance & Repair	5.7	6.1	7.3	6.4	6.9	7.2	6.6	6.7	7.3	6.4	7.2	8.0	6.9	8.0	8.9	8.2	6.5	8.5
Interest	5.0	5.7	4.3	3.9	4.2	4.0	3.1	3.7	3.5	3.0	2.8	3.5	2.9	4.0	3.8	4.0	4.3	4.1
Advertising & Promotion	4.3	5.6	3.8	3.4	3.5	3.5	3.1	3.3	3.1	2.9	2.5	2.4	2.2	2.2	2.0	2.1	2.0	1.8
Insurance	5.4	5.8	4.9	5.0	5.2	4.1	5.4	5.1	3.7	5.1	5.0	3.6	6.1	4.2	2.5	3.4	3.5	2.6
Shop Supplies & Expense	4.2	3.6	3.8	5.2	4.0	4.2	3.9	3.4	3.6	3.4	3.3	3.9	2.4	3.0	5.2	2.6	2.3	2.8
OPERATING PROFIT	3.1	1.3	2.4	6.2	6.3	7.5	5.9	5.5	7.3	5.4	6.5	6.9	5.5	6.5	6.1	9.7	10.5	10.5

SECTION III. FINANCIAL DATA RELATED TO SOURCE OF REVENUES

The table below compares key financial ratios for firms deriving most of their revenues from rentals vs. those recording significant sales.

Tables III-1 and III-2 contain income and expense and balance sheet data for rental firms in the two categories. Tables III-3 through III-6 present similar data by size of firm in these two groups.

	Over 70 Percent Revenue From Rentals				69 Percent Or Less Revenue From Rentals			
Financial Ratio	1987	1986	1985	1984	1987	1986	1985	1984
Current Ratio	1.41	1.46	1.31	1.44	1.37	1.26	1.39	1.42
Acid Test Ratio	1.04	1.07	.93	1.04	.68	.56	.64	.71
Debt to Net Worth Ratio	1.05	.87	.89	.95	1.61	1.98	1.77	1.52
Return on Investment	20.1%	20.3%	20.2%	24.7%	18.6%	19.3%	20.2%	23.9%
Return on Total Assets	9.8%	10.9%	10.7%	12.6%	7.1%	6.5%	7.3%	9.5%
Return on Revenues	7.6%	8.4%	8.4%	9.8%	4.9%	4.3%	4.3%	5.7%
Average Collection Period (Days)	37	36	36	35	43	42	37	40
Profits on Rental Investment	20.1%	20.3%	19.7%	24.1%	18.8%	18.4%	20.0%	27.8%
Total Revenues to Rental Investment (Times)	2.6	2.4	2.3	2.4	3.8	4.3	4.6	4.9
Rental Revenues to Rental Investment (Times)	2.2	2.0	2.0	2.0	1.7	1.7	1.8	2.1
Rental Revenues to Equipment Cost (Times)	.94	91	.86	.88	.80	.83	.77	.88
PERCENTS OF GROSS OPERATING PROFIT:								
Salaries & Wages	31.8	31.6	31.6	31.0	34.7	35.8	34.4	36.0
Employee Benefits	4.8	5.2	4.7	4.3	5.2	5.2	4.8	4.9
Total	36.6	36.8	36.3	35.3	39.9	41.0	39.2	40.9
Depreciation (All)	15.8	15.5	16.4	15.3	15.4	14.0	13.4	12.3
Occupancy Cost	7.3	7.1	6.6	7.2	5.0	5.9	5.7	6.0
Equipment Maintenance & Repair	7.7	7.9	8.8	9.1	6.3	5.5	6.9	6.7
Interest	3.1	3.2	3.4	3.5	4.1	4.8	4.5	4.7
Advertising & Promotion	2.7	2.6	2.4	2.5	2.3	2.6	2.4	2.8
Insurance	4.7	4.6	3.1	2.7	4.6	4.2	3.4	2.6
Shop Supplies & Expense	3.3	3.4	4.1	3.1	2.8	2.3	3.4	2.5
OPERATING PROFIT	7.4	8.1	8.5	10.5	6.6	6.4	6.5	8.8
NUMBER OF RESPONDENTS	303	306	359	260	143	153	154	116

TABLE III-1. INCOME AND EXPENSE BY SOURCE OF REVENUE, 1987

	REVENUE FROM RENTALS		
	Over 70 Percent	Under 70 Percent	Insert Your Own Percents Here
	Percents	Percents	
Rental Income	83.57	43.38	
Merchandise & Equipment Sales	11.96	47.31	
Other Operating Income	4.47	9.31	
Total Operating Income	100.00	100.00	
Less Cost of Sales	8.89	39.21	
Gross Operating Profit	91.11	60.79	
OPERATING EXPENSES:			
Salaries & Wages	29.03	21.11	
Employee Benefits & Taxes	4.36	3.18	
Equipment Maintenance & Repair	7.01	3.85	
Shop Supplies & Expense	3.05	1.70	
Occupancy Cost	6.68	3.07	
Bad Debts Expense	0.95	0.88	
Office Supplies & Expenses	1.12	0.93	
Associations & Travel Expense	0.54	0.52	
Legal & Accounting	1.05	0.81	
Telephone & Other Communications	0.89	0.71	
Automobile & Truck Expense	1.84	1.48	
Insurance	4.29	2.81	
Advertising & Promotion	2.50	1.37	
Other Taxes	1.12	0.88	
Interest	2.87	2.47	
Franchise Fees	0.27	0.10	
Depreciation, Non-Rental Equipment	2.00	1.48	
Other Operating Expenses	2.31	1.51	
TOTAL OPERATING EXPENSES	71.88	48.86	
Operating Profit Before Rental Depr.	19.23	11.93	
Depreciation on Rental Equipment	12.44	7.90	
OPERATING PROFIT	6.79	4.03	
Other Income & Expense (Net)	0.86	0.86	
NET INCOME BEFORE INCOME TAXES	7.65	4.89	
NUMBER OF RESPONDENTS	303	143	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE III-2. BALANCE SHEETS BY SOURCE OF REVENUE, 1987

	REVENUE FROM RENTALS		
	Over 70 Percent	Under 70 Percent	Insert Your Own Percents Here
	Percents	Percents	
CURRENT ASSETS:			
Cash	7.27	4.77	
Accounts Receivable (Net)	13.02	17.41	
Merchandise Inventories	3.91	19.28	
Marketable Securities	2.00	1.03	
Prepaid Expenses	1.19	1.68	
Supplies Inventory	1.63	1.10	
Other Current Assets	1.12	1.44	
Total Current Assets	30.13	46.70	
Rental Equipment—Net Book Value	48.65	38.00	
Other Fixed Assets—Net Book Value	16.15	12.51	
Total Fixed Assets	64.81	50.51	
Other Assets	5.06	2.78	
TOTAL ASSETS	100.00	100.00	
CURRENT LIABILITIES:			
Accounts Payable	4.31	9.67	
Current Notes Payable	11.05	16.87	
Contracts Payable	1.09	3.13	
Customers' Rental Deposits	0.29	0.16	
Accrued Expenses	2.19	2.27	
Taxes Payable	1.78	1.57	
Other Current Liabilities	0.69	0.45	
Total Current Liabilities	21.40	34.12	
Long-Term Debt	27.52	25.12	
Other Liabilities	2.39	2.37	
Total Liabilities	51.32	61.62	
Net Worth	48.68	38.38	
TOTAL LIABILITIES & NET WORTH	100.00	100.00	
NUMBER OF RESPONDENTS	303	143	

TABLE III-3. AVERAGE INCOME AND EXPENSE FOR FIRMS DERIVING 70 PERCENT OR MORE OF REVENUES FROM RENTALS, 1987

	$000—$200,000		$200,001—$500,000		$500,001—$1 Mill.		$1 Mill.—$2.5 Mill.		$2.5 Mill.—$5 Mill.		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
Rental Income	117,333	88.88	283,171	83.63	579,146	83.66	1,261,775	83.79	2,632,113	82.04	8,156,100	83.67
Merchandise & Equipment Sales	10,657	8.07	39,755	11.74	85,471	12.35	173,155	11.50	338,580	10.55	1,257,208	12.90
Other Operating Income	4,030	3.05	15,684	4.63	27,615	3.99	70,924	4.71	237,700	7.41	334,553	3.43
Total Operating Income	132,020	100.00	338,609	100.00	692,231	100.00	1,505,854	100.00	3,208,393	100.00	9,747,861	100.00
Less Cost of Sales	10,194	7.72	28,356	8.37	61,335	8.86	138,393	9.19	252,082	7.86	905,935	9.29
Gross Operating Profit	121,826	92.28	310,253	91.63	630,896	91.14	1,367,462	90.81	2,956,311	92.14	8,841,926	90.71
OPERATING EXPENSES												
Salaries & Wages	33,211	25.16	101,088	29.85	215,844	31.18	479,511	31.84	992,580	30.94	2,429,269	24.92
Employee Benefits & Taxes	4,103	3.11	13,043	3.85	29,693	4.29	78,024	5.18	179,657	5.60	342,902	3.52
Equipment Maintenance & Repair	6,925	5.25	19,880	5.87	44,732	6.46	94,900	6.30	234,971	7.32	794,991	8.16
Shop Supplies & Expense	5,501	4.17	16,833	4.97	25,469	3.68	50,947	3.38	94,487	2.94	180,307	1.85
Occupancy Cost	14,735	11.16	27,298	8.06	46,148	6.67	94,268	6.26	184,571	5.75	654,039	6.71
Bad Debts Expense	440	0.33	1,229	0.36	6,549	0.95	12,751	0.85	33,998	1.06	117,298	1.20
Office Supplies & Expense	2,051	1.55	3,971	1.17	8,732	1.26	21,930	1.46	38,209	1.19	70,771	0.73
Associations & Travel Expense	1,129	0.86	2,643	0.78	4,315	0.62	8,549	0.57	19,913	0.62	33,346	0.34
Legal & Accounting	1,326	1.00	3,057	0.90	6,507	0.94	14,579	0.97	31,626	0.99	122,291	1.25
Telephone & Other Communications	1,754	1.33	3,745	1.11	5,137	0.74	12,830	0.85	31,039	0.97	87,279	0.90
Automobile & Truck Expense	2,549	1.93	5,716	1.69	8,990	1.30	26,302	1.75	63,660	1.98	213,500	2.19
Insurance	6,638	5.03	16,218	4.79	34,352	4.96	68,214	4.53	191,321	5.96	281,479	2.89
Advertising & Promotion	5,242	3.97	10,186	3.01	19,672	2.84	37,460	2.49	59,494	1.85	229,214	2.35
Other Taxes	1,410	1.07	4,667	1.38	7,641	1.10	19,459	1.29	44,823	1.40	80,671	0.83
Interest	6,192	4.69	11,026	3.26	19,593	2.83	42,254	2.81	73,607	2.29	286,820	2.94
Franchise Fees	269	0.20	767	0.23	829	0.12	169	0.01	1,082	0.03	65,291	0.67
Depreciation, Non-Rental Equipment	3,601	2.73	6,938	2.05	15,109	2.18	32,686	2.17	70,240	2.19	159,776	1.64
Other Operating Expenses	1,378	1.04	5,336	1.58	10,272	1.48	23,783	1.58	39,230	1.22	393,022	4.03
TOTAL OPERATING EXPENSES	98,453	74.57	253,642	74.91	509,585	73.61	1,118,616	74.28	2,384,508	74.32	6,542,263	67.11
Operating Profit Before Rental Depr.	23,372	17.70	56,612	16.72	121,311	17.52	248,845	16.53	571,803	17.82	2,299,662	23.59
Depreciation on Rental Equipment	19,979	15.13	37,947	11.21	80,119	11.57	174,205	11.57	417,718	13.02	1,325,281	13.60
OPERATING PROFIT	3,393	2.57	18,665	5.51	41,192	5.95	74,640	4.96	154,085	4.80	974,382	10.00
Other Income & Expense (Net)	-288	-0.22	2,210	0.65	5,908	0.85	28,769	1.91	35,168	1.10	11,736	0.12
NET INCOME BEFORE INCOME TAXES	3,105	2.35	20,874	6.16	47,100	6.80	103,409	6.87	189,252	5.90	986,118	10.12
NUMBER OF RESPONDENTS	42		97		87		53		13		11	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE III-4. AVERAGE BALANCE SHEETS FOR FIRMS DERIVING 70 PERCENT OR MORE OF REVENUES FROM RENTALS, 1987

	$000—$200,000		$200,001—$500,000		$500,001—$1 Mill.		$1 Mill.—$2.5 Mill.		$2.5 Mill.—$5 Mill.		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
CURRENT ASSETS												
Cash	6,603	5.33	23,960	9.88	49,956	9.52	112,954	10.82	109,824	4.81	385,963	4.39
Accounts Receivable (Net)	6,231	5.03	20,607	8.50	54,168	10.33	119,900	11.49	384,823	16.85	1,363,548	15.51
Merchandise Inventories	13,002	10.49	12,350	5.09	25,675	4.90	40,580	3.89	75,400	3.30	264,276	3.01
Marketable Securities	204	0.16	5,537	2.28	21,088	4.02	23,911	2.29	74,101	3.24	46,402	0.53
Prepaid Expenses	1,972	1.59	3,469	1.43	8,567	1.63	17,413	1.67	38,968	1.71	41,724	0.47
Supplies Inventory	779	0.63	933	0.38	1,928	0.37	5,517	0.53	9,843	0.43	314,479	3.58
Other Current Assets	1,727	1.39	1,823	0.75	6,199	1.18	18,707	1.79	19,936	0.87	74,186	0.84
Total Current Assets	30,518	24.62	68,679	28.32	167,581	31.95	338,982	32.49	712,895	31.21	2,490,577	28.32
Rental Equipment—Net Book Value	74,000	59.71	114,948	47.41	246,954	47.09	512,289	49.09	1,192,309	52.20	4,199,739	47.76
Other Fixed Assets—Net Book Value	17,366	14.01	49,629	20.47	96,819	18.46	162,930	15.61	327,731	14.35	1,318,646	15.00
Total Fixed Assets	91,366	73.72	164,578	67.87	343,773	65.55	675,219	64.71	1,520,040	66.55	5,518,385	62.76
Other Assets	2,058	1.66	9,216	3.80	13,126	2.50	29,267	2.80	51,040	2.23	784,274	8.92
TOTAL ASSETS	123,942	100.00	242,472	100.00	524,480	100.00	1,043,468	100.00	2,283,974	100.00	8,793,236	100.00
CURRENT LIABILITIES												
Accounts Payable	7,163	5.78	6,111	2.52	18,178	3.47	56,750	5.44	81,035	3.55	408,475	4.65
Current Notes Payable	13,671	11.03	31,498	12.99	59,114	11.27	91,757	8.79	180,699	7.91	1,120,100	12.74
Contracts Payable	3,872	3.12	2,708	1.12	7,589	1.45	19,333	1.85	34,926	1.53	21,551	0.25
Customers' Rental Deposits	220	0.18	566	0.23	856	0.16	2,146	0.21	3,817	0.17	39,198	0.45
Accrued Expenses	362	0.29	3,179	1.31	6,197	1.18	18,164	1.74	71,666	3.14	258,340	2.94
Taxes Payable	2,195	1.77	4,766	1.97	6,612	1.26	15,106	1.45	26,036	1.14	209,138	2.38
Other Current Liabilities	4,081	3.29	1,786	0.74	1,448	0.28	5,885	0.56	0	0.00	90,128	1.02
Total Current Liabilities	31,565	25.47	50,615	20.87	99,994	19.07	209,141	20.04	398,178	17.43	2,146,930	24.42
Long-Term Debt	57,731	46.58	86,004	35.47	113,654	21.67	264,387	25.34	552,550	24.19	2,603,030	29.60
Other Liabilities	6,028	4.86	7,033	2.90	17,415	3.32	35,095	3.36	46,835	2.05	108,887	1.24
Total Liabilities	95,323	76.91	143,652	59.24	231,063	44.06	508,623	48.74	997,564	43.68	4,858,847	55.26
Net Worth	28,618	23.09	98,820	40.76	293,417	55.94	534,845	51.26	1,286,410	56.32	3,934,389	44.74
TOTAL LIABILITIES & NET WORTH	123,942	100.00	242,472	100.00	524,480	100.00	1,043,468	100.00	2,283,974	100.00	8,793,236	100.00
NUMBER OF RESPONDENTS	42		97		87		53		13		11	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE III-5. INCOME AND EXPENSE FOR FIRMS DERIVING 69 PERCENT OR LESS OF REVENUES FROM RENTALS, 1987

	$000—$200,000		$200,001—$500,000		$500,001—$1 Mill.		$1 Mill.—$2.5 Mill.		$2.5 Mill.—$5 Mill.		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
Rental Income	75,199	56.15	177,621	51.76	382,759	54.62	657,809	45.43	1,594,558	46.89	3,613,254	38.62
Merchandise & Equipment Sales	48,050	35.88	114,099	33.25	277,365	39.58	691,309	47.74	1,375,265	40.44	4,932,819	52.72
Other Operating Income	10,676	7.97	51,432	14.99	40,614	5.80	98,855	6.83	431,051	12.67	810,850	8.67
Total Operating Income	133,925	100.00	343,152	100.00	700,738	100.00	1,447,973	100.00	3,400,874	100.00	9,356,922	100.00
Less Cost of Sales	41,487	30.98	92,929	27.08	200,788	28.65	514,086	35.50	1,103,216	32.44	4,306,415	46.02
Gross Operating Profit	92,437	69.02	250,222	72.92	499,951	71.35	933,887	64.50	2,297,657	67.56	5,050,507	53.98
OPERATING EXPENSES												
Salaries & Wages	27,801	20.76	82,839	24.14	187,506	26.76	360,056	24.87	820,774	24.13	1,642,334	17.55
Employee Benefits & Taxes	2,643	1.97	12,147	3.54	31,101	4.44	54,383	3.76	110,431	3.25	256,809	2.74
Equipment Maintenance & Repair	5,705	4.26	15,715	4.58	25,040	3.57	46,578	3.22	137,743	4.05	367,174	3.92
Shop Supplies and Expense	847	0.63	11,369	3.31	16,992	2.42	22,104	1.53	40,157	1.18	161,561	1.73
Occupancy Cost	8,744	6.53	17,166	5.00	41,235	5.88	65,181	4.50	107,468	3.16	183,691	1.96
Bad Debt Expense	754	0.56	1,328	0.39	3,057	0.44	13,091	0.90	35,986	1.06	85,657	0.92
Office Supplies & Expense	2,465	1.84	4,501	1.31	7,743	1.11	14,183	0.98	44,823	1.32	64,319	0.69
Associations & Travel Expense	83	0.06	2,572	0.75	5,584	0.80	8,935	0.62	15,797	0.46	42,043	0.45
Legal & Accounting	631	0.47	2,684	0.78	9,441	1.35	12,120	0.84	21,856	0.64	73,990	0.79
Telephone & Other Communications	2,095	1.56	3,524	1.03	5,322	0.76	9,852	0.68	25,242	0.74	61,355	0.66
Automobile & Truck Expense	2,482	1.85	4,208	1.23	10,988	1.57	20,135	1.39	53,038	1.56	138,790	1.48
Insurance	4,367	3.26	10,669	3.11	26,936	3.84	49,387	3.41	131,152	3.86	186,437	1.99
Advertising & Promotion	3,481	2.60	8,933	2.60	15,424	2.20	29,410	2.03	54,015	1.59	78,339	0.84
Other Taxes	1,406	1.05	3,563	1.04	4,851	0.69	12,090	0.83	41,481	1.22	70,618	0.75
Interest	4,253	3.18	12,675	3.69	16,290	2.32	26,422	1.82	73,960	2.17	252,990	2.70
Franchise Fees	193	0.14	414	0.12	236	0.03	16	0.00	13,805	0.41	0	0.00
Depreciation, Non-Rental Equipment	228	0.17	6,057	1.77	14,166	2.02	24,266	1.68	62,621	1.84	108,160	1.16
Other Operating Expenses	2,979	2.22	6,203	1.81	7,436	1.06	30,386	2.10	95,925	2.82	78,084	0.83
TOTAL OPERATING EXPENSES	71,156	53.13	206,566	60.20	429,348	61.27	798,595	55.15	1,886,273	55.46	3,852,348	41.17
Operating Profit Before Rental Depr.	21,281	15.89	43,656	12.72	70,603	10.08	135,292	9.34	411,385	12.10	1,198,159	12.81
Depreciation on Rental Equipment	15,567	11.62	26,405	7.69	50,453	7.20	85,820	5.93	279,853	8.23	788,253	8.42
OPERATING PROFIT	5,715	4.27	17,251	5.03	20,150	2.88	49,471	3.42	131,532	3.87	409,906	4.38
Other Income & Expense (Net)	3,815	2.85	2,004	0.58	16,129	2.30	2,123	0.15	43,102	1.27	61,298	0.66
NET INCOME BEFORE INCOME TAXES	9,530	7.12	19,255	5.61	36,279	5.18	51,595	3.56	174,634	5.13	471,204	5.04
NUMBER OF RESPONDENTS	6		37		36		29		19		16	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE III-6. AVERAGE BALANCE SHEETS FOR FIRMS DERIVING 69 PERCENT OR LESS OF REVENUES FROM RENTALS, 1987

	$000—$200,000		$200,001—$500,000		$500,001—$1 Mill.		$1 Mill.—$2.5 Mill.		$2.5 Mill.—$5 Mill.		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
CURRENT ASSETS:												
Cash	5,206	4.08	23,475	8.90	39,839	8.99	53,336	6.61	98,238	3.78	242,064	3.77
Accounts Receivable (Net)	16,537	12.97	34,298	13.00	59,706	13.47	132,622	16.44	407,730	15.69	1,252,352	19.53
Merchandise Inventories	14,423	11.31	56,888	21.56	80,236	18.10	189,356	23.48	481,945	18.54	1,198,970	18.69
Marketable Securities	0	0.00	2,262	0.86	8,279	1.87	10,048	1.25	35,500	1.37	46,316	0.72
Prepaid Expenses	983	0.77	3,805	1.44	4,610	1.04	8,016	0.99	51,678	1.99	116,552	1.82
Supplies Inventory	1,681	1.32	704	0.27	2,956	0.67	1,476	0.18	16,714	0.64	106,995	1.67
Other Current Assets	6,029	4.73	1,035	0.39	8,388	1.89	6,649	0.82	11,794	0.45	132,053	2.06
Total Current Assets	44,858	35.18	122,467	46.41	204,013	46.03	401,502	49.78	1,103,599	42.46	3,095,301	48.26
Rental Equipment—Net Book Value	64,054	50.24	89,932	34.08	157,723	35.59	267,323	33.14	1,068,643	41.12	2,454,246	38.27
Other Fixed Assets—Net Book Value	15,021	11.78	46,435	17.60	64,745	14.61	125,045	15.50	373,315	14.36	649,842	10.13
Total Fixed Assets	79,075	62.02	136,367	51.68	222,468	50.20	392,368	48.65	1,441,958	55.48	3,104,088	48.40
Other Assets	3,573	2.80	5,026	1.90	16,711	3.77	12,698	1.57	53,508	2.06	214,164	3.34
TOTAL ASSETS	127,506	100.00	263,860	100.00	443,192	100.00	806,568	100.00	2,599,065	100.00	6,413,553	100.00
CURRENT LIABILITIES:												
Accounts Payable	6,849	5.37	22,233	8.43	37,579	8.48	99,997	12.40	205,927	7.92	655,487	10.22
Current Notes Payable	9,036	7.09	36,967	14.01	47,705	10.76	66,014	8.18	359,717	13.84	1,385,486	21.60
Contracts Payable	4,493	3.52	10,595	4.02	3,369	0.76	31,478	3.90	784	0.03	303,720	4.74
Customers' Rental Deposits	520	0.41	940	0.36	930	0.21	2,307	0.29	5,156	0.20	5,030	0.08
Accrued Expenses	1,734	1.36	6,964	2.64	8,508	1.92	16,379	2.03	46,906	1.80	165,080	2.57
Taxes Payable	813	0.64	3,520	1.33	9,095	2.05	13,981	1.73	29,022	1.12	109,272	1.70
Other Current Liabilities	2,236	1.75	496	0.19	5,680	1.28	832	0.10	5,649	0.22	33,652	0.52
Total Current Liabilities	25,681	20.14	81,714	30.97	112,865	25.47	230,989	28.64	653,161	25.13	2,657,727	41.44
Long-Term Debt	54,399	42.66	87,389	33.12	105,216	23.74	178,004	22.07	503,382	19.37	1,790,322	27.91
Other Liabilities	16,612	13.03	7,777	2.95	23,765	5.36	18,785	2.33	93,371	3.59	76,957	1.20
Total Liabilities	96,692	75.83	176,879	67.04	241,845	54.57	427,778	53.04	1,249,913	48.09	4,525,006	70.55
Net Worth	30,814	24.17	86,981	32.96	201,347	45.43	378,790	46.96	1,349,151	51.91	1,888,547	29.45
TOTAL LIABILITIES & NET WORTH	127,506	100.00	263,860	100.00	443,192	100.00	806,568	100.00	2,599,065	100.00	6,413,553	100.00
NUMBER OF RESPONDENTS	6		37		36		29		19		16	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

SECTION IV. FINANCIAL DATA RELATED TO TYPE OF EQUIPMENT RENTED

Responding firms were placed into one of the three major rental categories — construction and industrial, general rental or medical-party—based upon the information shown on the survey forms. Descriptions of each category are shown on the first page of the survey form, reproduced on page 28.

Construction and Industrial Equipment

Profitability continued to decrease for these firms. Return on investment was down slightly to 19.5 percent in 1987 from 20.3 percent in 1986, 21.4 percent in 1985 and 25.2 percent in 1984. Return on total assets and return on revenues decreased as well.

Average income before taxes for those firms responding was $119,500 in 1987 compared with $124,100 in 1985 and $127,600 in 1984.

Comparisons with the previous year of major expenses as a percentage of gross operating profit show the largest decreases in labor costs (1.1 percent), and occupancy cost (.4 percent). Largest increases were in equipment maintenance and repair (.5 percent) and insurance (.2 percent).

Net worth of these firms decreased to 42.7 percent of total assets in 1987 from 44.9 percent a year earlier. Current ratios decreased from 1.34 to one in 1986 to 1.31-to-1 in 1987. The ratio of rental revenues to equipment cost (before depreciation) decreased from .85 times in 1986 to .81 times in 1987. Average collection days of accounts receivable rose one day from 43 days in 1986 to 44 days in 1987. The debt to net worth ratio increased to 1.34-to-1 in 1987 from 1.23-to-1 in 1986. Merchandise inventories as a percentage of total assets dropped to 11.5 percent in 1987 from 14.2 percent in 1986.

The number of respondents in construction and industrial equipment increased from 250 in 1986 to 253 in 1987.

General Rental

Return on investment increased again in 1987 to 20.0 percent from 16.3 percent in 1985 and 18.9 percent in 1986. Return on total assets also rose from 8.3 percent in 1986 to 10.2 percent in 1987. Return on revenues increased to 6.4 percent. Average net income before taxes per respondent was $54,250 in 1987 compared with $33,700 in 1986, $34,700 in 1985 and $49,800 in 1984.

Comparisons with the previous year of major expenses as a percentage of gross operating profit show the largest increases in labor costs (.6 percent). Decreases were registered in interest (.6 percent), advertising (.6 percent) and equipment maintenance and repair (.3 percent).

Current ratios increased from 1.27-to-1 in 1986 to 1.79-to-1 in 1987. The acid test ratio increased from .79-to-1 in 1986 to 1.17-to-1 in 1987. The average collection days of accounts receivable increased to 30 days in 1987 from 24 days in 1986.

The ratio of rental revenues to rental investment (after depreciation) increased to 2.9 times in 1987 from 2.3 times in 1986, and the ratio of rental revenues to equipment cost went from .94 times in 1986 to 1.18 times in 1987.

Respondents decreased from 177 in 1986 to 120 in 1987.

Medical-Party

Profitability increased for these respondents in 1987. Return on investment increased from 17.5 percent in 1986 to 18.7 percent in 1987. Return on total assets rose from 7.5 percent in 1986 to 8.8 percent in 1987.

The ratios of rental revenues to equipment cost and to rental investment (after depreciation) both dropped substantially. The ratio of rental revenues to equipment cost was 1.15 times in 1987 compared with 1.32 times in 1986, and the ratio of rental revenues to rental investment was 3.6 times in 1987 vs. 5.5 times in 1986.

Contributing to the increase in profitability were decreases in labor expenses as a percentage of gross operating profit: labor costs dropped to 44.0 percent in 1987, a decrease of 2.8 percent over 1986.

The current ratio increased slightly from 1.61 in 1986 to 1.62 in 1987. The ratio of debt (total liabilities) to net worth dropped from 1.33 in 1986 to 1.11 in 1987. Net worth of these firms increased to 47.4 percent of total assets in 1987 from 42.9 percent in 1986. Merchandise inventories as a percentage of total assets decreased to 6.9 percent in 1987 from 13 percent in 1986.

Tables

Table IV-1 shows percentages of income and expenses as a percent of total income, and Table IV-2 shows percentages of balance-sheet items as a percent of total assets. Table IV-3 contains key financial ratios for the years 1984-1987 for firms in all three categories.

TABLE IV-1. INCOME AND EXPENSE BY TYPE OF EQUIPMENT RENTED, 1987

	Construction & Industrial Percents	General Rental Percents	Medical-Party Percents	Insert Your Own Percents Here
Rental Income	61.36	72.34	78.18	
Merchandise & Equipment Sales	31.81	20.40	16.75	
Other Operating Income	6.83	7.26	5.07	
Total Operating Income	100.00	100.00	100.00	
Less Cost of Sales	25.95	17.08	10.71	
Gross Operating Profit	74.05	82.92	89.29	
OPERATING EXPENSES				
Salaries & Wages	23.57	28.62	34.44	
Employee Benefits & Taxes	3.58	4.25	4.86	
Equipment Maintenance & Repair	5.75	5.47	3.34	
Shop Supplies & Expense	2.15	2.91	3.82	
Occupancy Cost	4.32	6.46	7.96	
Bad Debts Expense	0.98	0.84	0.53	
Office Supplies & Expenses	1.00	1.11	1.14	
Associations & Travel Expense	0.50	0.57	0.69	
Legal & Accounting	0.75	1.61	1.31	
Telephone & Other Communications	0.77	0.88	0.98	
Automobile & Truck Expense	1.63	1.49	2.42	
Insurance	3.40	4.32	3.85	
Advertising & Promotion	1.72	2.42	3.35	
Other Taxes	0.99	1.10	0.93	
Interest	2.73	2.46	2.66	
Franchise Fees	0.07	0.76	0.19	
Depreciation, Non-Rental Equipment	1.58	2.28	2.22	
Other Operating Expenses	2.17	0.96	1.74	
TOTAL OPERATING EXPENSES	57.67	68.52	76.43	
Operating Profit Before Rental Depr.	16.38	14.40	12.86	
Depreciation on Rental Equipment	10.78	8.86	8.64	
OPERATING PROFIT	5.60	5.54	4.21	
Other Income & Expense (Net)	0.83	0.81	1.25	
NET INCOME BEFORE INCOME TAXES	6.43	6.35	5.46	
NUMBER OF RESPONDENTS	253	120	73	

TABLE IV-2. BALANCE SHEETS BY TYPE OF EQUIPMENT RENTED, 1987

	Construction & Industrial Percents	General Rental Percents	Medical-Party Percents	Insert Your Own Percents Here
CURRENT ASSETS:				
Cash	5.31	8.93	10.49	
Accounts Receivable (Net)	15.58	13.13	11.40	
Merchandise Inventories	11.53	7.70	6.94	
Marketable Securities	0.80	5.55	2.51	
Prepaid Expenses	1.40	1.33	1.68	
Supplies Inventory	0.98	4.33	0.18	
Other Current Assets	1.21	1.29	1.71	
Total Current Assets	36.80	42.26	34.91	
Rental Equipment—Net Book Value	44.57	40.06	44.88	
Other Fixed Assets—Net Book Value	14.06	15.37	18.56	
Total Fixed Assets	58.63	55.43	63.45	
Other Assets	4.57	2.31	1.64	
TOTAL ASSETS	100.00	100.00	100.00	
CURRENT LIABILITIES:				
Accounts Payable	6.92	5.15	6.91	
Current Notes Payable	14.18	12.40	9.49	
Contracts Payable	2.20	1.25	1.05	
Customers' Rental Deposits	0.21	0.26	0.36	
Accrued Expenses	2.11	3.23	1.49	
Taxes Payable	1.81	1.01	1.64	
Other Current Liabilities	0.62	0.37	0.61	
Total Current Liabilities	28.06	23.67	21.55	
Long-Term Debt	26.99	22.75	27.97	
Other Liabilities	2.27	2.65	3.12	
Total Liabilities	57.33	49.08	52.63	
Net Worth	42.67	50.92	47.37	
TOTAL LIABILITIES & NET WORTH	100.00	100.00	100.00	
NUMBER OF RESPONDENTS	253	120	73	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE IV—3. FINANCIAL RATIOS BY TYPE OF EQUIPMENT RENTED, 1984-1987

Financial Ratio	Construction & Industrial				General Rentals				Medical-Party			
	1987	1986	1985	1984	1987	1986	1985	1984	1987	1986	1985	1984
Current Ratio	1.31	1.34	1.41	1.38	1.79	1.27	1.20	1.53	1.62	1.61	1.46	1.75
Acid Test Ratio	.77	.75	.84	.88	1.17	.79	.64	.91	1.13	.95	.91	1.16
Debt to Net Worth Ratio	1.34	1.23	1.14	1.23	.96	1.27	1.24	.96	1.11	1.33	1.19	.70
Return on Investment (Expressed	19.5	20.3	21.4	25.2	20.0	18.9	16.3	23.4	18.7	17.5	24.9	24.0
Return on Total Assets (	8.3	9.1	10.0	11.3	10.2	8.3	7.3	11.9	8.8	7.5	11.3	14.1
Return on Revenues (percentages)	6.4	6.7	6.9	8.0	6.4	5.7	5.4	8.6	5.5	3.9	6.7	6.9
Average Collection Period (Days)	44	43	41	43	30	24	28	26	26	22	24	18
Profits on Rental Investment (Expressed in percentages)	18.7	20.0	21.2	24.3	25.4	17.8	15.6	26.3	25.7	21.3	24.9	27.0
Total Revenues to Rental Investment	2.9	3.0	3.1	3.1	4.0	3.1	2.9	3.1	3.6	5.5	3.7	3.9
Rental Revenues to Rental Investment	1.8	1.8	1.8	1.9	2.9	2.3	2.1	2.3	2.8	3.7	2.7	2.9
Rental Revenues to Equipment Cost	.81	.85	.80	.81	1.18	.94	.89	.98	1.15	1.32	1.07	1.14
PERCENTS OF GROSS OPERATING PROFIT:												
Salaries & Wages	31.8	32.5	32.1	32.3	34.5	33.9	33.1	32.9	38.6	40.6	37.7	35.5
Employee Benefits	4.8	5.2	4.8	4.7	5.1	4.8	4.5	4.1	5.4	6.2	5.2	4.7
Total	36.6	37.7	36.9	37.0	39.6	38.7	37.6	37.0	44.0	46.8	42.9	40.2
Depreciation (All)	16.7	15.4	15.8	15.3	13.4	14.3	14.6	12.9	12.2	11.1	12.5	11.5
Occupancy Cost	5.8	6.2	5.5	5.8	7.8	8.1	7.8	8.0	8.9	8.0	8.4	12.0
Equipment Maintenance & Repair	7.8	7.3	8.6	8.9	6.6	6.9	7.5	7.6	3.7	3.2	3.1	5.9
Interest	3.7	3.9	3.8	4.1	3.0	3.6	3.9	3.7	3.0	2.6	2.8	1.5
Advertising & Promotion	2.3	2.2	2.0	2.1	2.9	3.5	3.2	3.3	3.7	4.0	3.8	4.2
Insurance	4.6	4.4	3.1	2.4	5.2	5.0	3.6	3.0	4.3	3.9	3.0	2.7
Shop Supplies & Expense	2.9	2.9	3.7	2.8	3.5	3.4	4.2	3.2	4.3	3.4	4.0	1.9
OPERATING PROFIT	7.6	8.1	8.6	10.2	6.7	5.7	5.9	9.8	4.7	4.3	7.2	8.0
NUMBER OF RESPONDENTS	253	250	240	146	120	177	237	211	73	32	36	19

SECTION V. FINANCIAL DATA RELATED TO REGION

FIGURE V-1. RETURN ON INVESTMENT
IN EACH A.R.A. REGION, 1986 & 1987

Table V-1 contains income and expense data by region, and Table V-2 presents balance sheet information. Key ratios for 1985-1987 for firms in each of the 10 regions are in Table V-3.

□ 1987 FIGURES
■ 1986 FIGURES

REGION 1: Connecticut, Massachusetts, Maine, New Hampshire, New York, Rhode Island, Vermont
REGION 2: Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia
REGION 3: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee
REGION 4: Arkansas, Louisiana, Oklahoma, Texas
REGION 5: Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin
REGION 6: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
REGION 7: Arizona, Colorado, New Mexico, Utah, Wyoming
REGION 8: Alaska, Idaho, Montana, Oregon, Washington
REGION 9: California, Hawaii, Nevada
REGION 10: Canada

TABLE V-1. INCOME AND EXPENSE BY REGION, 1987

	Northeast R-1 Percents	Eastern R-2 Percents	Southeast R-3 Percents	Southwest R-4 Percents	Great Lakes R-5 Percents	Midwest R-6 Percents	Rocky Mountain R-7 Percents	Northwest R-8 Percents	Pacific R-9 Percents	Canada R-10 Percents
Rental Income	59.32	67.11	63.89	70.92	49.27	74.58	78.78	67.26	69.61	62.42
Merchandise & Equipment Sales	36.88	28.50	31.80	20.10	46.02	13.88	13.48	30.65	21.24	26.51
Other Operating Income	3.80	4.39	4.32	8.98	4.71	11.54	7.74	2.09	9.15	11.08
Total Operating Income	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Less Cost of Sales	28.60	21.31	22.65	17.23	36.68	16.86	9.70	28.90	15.81	26.58
Gross Operating Profit	71.40	78.69	77.35	82.77	63.32	83.14	90.30	71.10	84.19	73.42
OPERATING EXPENSES:										
Salaries & Wages	24.77	26.26	26.22	26.67	19.69	26.27	32.77	20.09	28.18	23.94
Employee Benefits & Taxes	4.62	4.09	3.41	3.03	3.80	2.47	5.09	4.20	4.55	2.50
Equipment Maintenance & Repair	3.32	5.02	5.93	5.19	5.01	5.40	6.93	3.88	6.87	6.11
Shop Supplies & Expense	1.95	2.85	2.50	2.19	1.52	2.45	3.20	3.27	2.75	2.26
Occupancy Cost	5.13	5.51	4.29	6.97	2.88	6.19	6.79	4.95	5.01	4.70
Bad Debts Expense	0.65	0.86	1.07	1.08	0.73	0.35	0.99	1.78	0.86	1.14
Office Supplies & Expense	1.22	1.09	0.87	1.23	0.68	0.62	1.18	0.92	1.31	1.02
Associations & Travel Expense	0.47	0.61	0.42	0.29	0.59	0.30	0.62	0.62	0.50	0.68
Legal & Accounting	0.73	0.95	0.73	0.82	0.92	2.23	1.39	0.65	1.01	0.66
Telephone & Other Communications	0.69	0.69	0.81	0.78	0.78	1.07	0.94	0.68	0.83	0.94
Automobile & Truck Expense	1.60	1.96	1.34	1.62	1.27	1.24	1.81	0.76	1.70	2.52
Insurance	3.41	3.96	3.78	3.36	2.05	4.00	4.56	3.62	5.99	1.30
Advertising & Promotion	2.13	1.95	1.76	2.19	1.49	2.83	2.17	2.27	1.84	2.23
Other Taxes	0.50	0.88	0.95	1.03	1.17	1.31	1.16	2.35	1.17	0.43
Interest	2.37	2.46	2.52	1.80	3.14	2.54	3.65	2.43	2.51	3.30
Franchise Fees	0.13	0.04	0.05	0.04	0.02	3.68	0.01	0.00	0.01	0.04
Depreciation, Non-Rental Equipment	1.81	1.61	2.34	1.53	1.27	2.78	2.32	2.32	1.75	1.46
Other Operating Expenses	1.24	2.43	0.92	2.51	2.19	1.71	3.38	0.56	1.61	2.01
TOTAL OPERATING EXPENSES	56.73	63.21	59.91	62.34	49.18	67.47	78.96	55.37	68.46	57.22
Operating Profit Before Rental Depr.	14.67	15.47	17.44	20.43	14.13	15.66	11.34	15.73	15.73	16.20
Depreciation on Rental Equipment	8.06	10.82	12.09	11.88	10.20	8.13	13.01	12.18	10.69	6.60
OPERATING PROFIT	6.61	4.65	5.36	8.56	3.94	7.53	-1.68	3.55	5.04	9.60
Other Income & Expense (Net)	0.17	1.27	0.72	0.49	0.86	0.58	1.00	1.34	1.22	0.45
NET INCOME BEFORE INCOME TAXES	6.78	5.92	6.08	9.05	4.79	8.11	-0.67	4.90	6.26	10.05
NUMBER OF RESPONDENTS	45	66	64	27	62	22	38	21	66	35

TABLE V-2. BALANCE SHEETS BY REGION, 1987

	Northeast R-1 Percents	Eastern R-2 Percents	Southeast R-3 Percents	Southwest R-4 Percents	Great Lakes R-5 Percents	Midwest R-6 Percents	Rocky Mountain R-7 Percents	Northwest R-8 Percents	Pacific R-9 Percents	Canada R-10 Percents
CURRENT ASSETS:										
Cash	8.60	6.68	5.16	7.29	4.43	5.87	6.89	6.76	8.52	3.06
Accounts Receivable (Net)	17.77	16.91	11.90	13.48	14.46	12.56	12.53	13.47	13.71	19.10
Merchandise Inventories	14.76	12.51	11.29	6.62	15.25	4.13	4.96	11.38	5.33	13.70
Marketable Securities	2.34	0.56	0.96	0.73	0.72	3.73	3.35	1.19	3.76	0.97
Prepaid Expenses	1.45	1.35	1.17	0.89	1.68	1.15	1.80	0.86	2.00	1.00
Supplies Inventory	0.12	0.06	1.89	0.24	1.23	15.96	1.07	0.59	0.67	1.72
Other Current Assets	0.87	2.54	0.52	0.27	1.49	0.32	1.65	0.33	0.67	1.88
Total Current Assets	45.91	40.60	32.89	29.51	39.26	43.72	32.24	34.58	34.67	41.44
Rental Equipment—Net Book Value	39.09	47.27	47.78	36.99	45.70	41.26	50.15	46.46	44.74	38.50
Other Fixed Assets—Net Book Value	11.06	9.45	14.98	21.94	11.72	13.25	15.41	14.19	18.82	15.47
Total Fixed Assets	50.15	56.73	62.76	58.93	57.42	54.52	65.56	60.65	63.56	53.98
Other Assets	3.93	2.67	4.35	11.55	3.32	1.76	2.20	4.77	1.77	4.58
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
CURRENT LIABILITIES:										
Accounts Payable	13.55	5.35	8.51	2.70	5.44	5.95	4.74	3.50	4.05	14.88
Current Notes Payable	5.78	14.92	14.12	7.07	25.47	18.66	11.21	5.32	9.39	10.91
Contracts Payable	0.14	0.41	0.52	1.22	0.43	1.55	1.23	4.06	5.64	4.38
Customers' Rental Deposits	0.25	0.33	0.19	0.63	0.12	0.05	0.07	0.16	0.25	0.04
Accrued Expenses	3.39	2.14	2.22	2.11	2.47	4.81	1.17	1.70	2.31	1.22
Taxes Payable	1.13	2.27	1.38	3.87	1.77	0.64	1.00	1.62	0.96	0.89
Other Current Liabilities	0.06	0.46	-1.04	1.68	0.42	0.33	0.33	0.59	0.22	0.45
Total Current Liabilities	24.30	25.88	27.98	19.49	36.12	31.99	19.75	16.95	22.81	32.76
Long-Term Debt	28.07	27.97	23.24	27.63	29.65	15.11	38.36	24.82	22.05	24.53
Other Liabilities	1.97	3.01	2.81	0.11	0.70	0.50	2.38	3.47	2.73	5.76
Total Liabilities	54.34	56.86	54.03	47.23	66.47	47.60	60.48	45.24	47.58	63.04
Net Worth	45.66	43.14	45.97	52.77	33.53	52.40	39.52	54.76	52.42	36.96
TOTAL LIABILITIES & NET WORTH	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
NUMBER OF RESPONDENTS	45	66	64	27	62	22	38	21	66	35

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE V-3. FINANCIAL RATIOS BY REGION, 1985-1987

Financial Ratio	Northeast R-1			Eastern R-2			Southeast R-3			Southwest R-4			Great Lakes R-5		
	1987	1986	1985	1987	1986	1985	1987	1986	1985	1987	1986	1985	1987	1986	1985
Current Ratio	1.89	1.09	2.02	1.57	1.02	1.35	1.18	1.23	1.38	1.51	1.47	1.17	1.09	1.39	1.31
Acid Test Ratio	1.13	.38	1.15	.93	.71	.77	.64	.74	.74	1.10	.82	.69	.54	.73	.65
Debt to Net Worth Ratio	1.19	1.97	.98	1.32	1.63	1.48	1.18	1.09	1.27	.90	1.12	1.01	1.98	1.75	1.33
Return on Investment (Expressed in percentages)	23.5	30.3	22.6	18.7	30.9	28.8	19.7	16.4	22.1	19.7	8.2	14.6	17.6	25.7	22.6
Return on Total Assets	10.7	10.2	11.4	8.1	11.8	11.6	9.1	7.8	9.7	10.4	3.9	7.3	5.9	9.3	9.7
Return on Revenues	6.8	7.5	5.7	5.9	8.8	7.2	6.1	5.1	6.0	9.0	3.0	6.0	4.8	6.0	6.4
Average Collection Period (Days)	41	27	31	45	33	35	29	37	31	43	38	44	43	44	38
Profits on Rental Investment (Expressed in percentages)	27.5	29.5	34.0	17.1	19.0	24.6	19.0	15.9	21.6	28.1	8.3	14.4	12.9	20.9	22.2
Total Revenues to Rental Investment	4.1	3.9	6.0	– 2.9	2.2	3.4	3.1	3.1	3.6	3.1	2.8	2.4	2.7	3.5	3.5
Rental Revenues to Rental Investment	2.4	1.8	2.6	1.9	1.6	2.2	2.0	1.9	1.9	2.2	1.7	1.6	1.3	1.6	1.7
Rental Revenues to Equipment Cost	1.07	.87	.99	.94	.82	.92	.88	.91	.85	.88	.76	.75	.68	.81	.76
PERCENTS OF GROSS OPERATING PROFIT:															
Salaries & Wages	34.7	30.7	37.8	33.4	28.3	32.5	33.9	35.0	32.9	32.2	33.8	29.9	31.1	33.9	34.6
– Employee Benefits	6.5	6.0	7.3	5.2	5.7	4.9	4.4	4.0	3.9	3.7	4.8	3.7	6.0	5.2	4.9
Total	41.2	36.7	45.1	38.6	34.0	37.4	38.3	39.0	36.8	35.9	38.6	33.6	37.1	39.1	39.5
Depreciation (All)	13.8	16.1	12.2	15.8	17.1	14.6	18.6	15.6	16.4	16.2	19.7	19.1	18.1	14.7	15.9
Occupancy Cost	7.2	5.8	6.7	7.0	7.0	7.4	5.5	5.6	5.7	8.4	6.8	4.8	4.5	6.3	6.2
Equipment Maintenance & Repair	4.7	5.1	4.2	6.4	6.6	6.1	7.7	8.5	9.4	6.3	6.1	8.5	7.9	4.4	5.0
Interest	3.3	4.4	2.0	3.1	4.2	4.1	3.3	3.6	4.0	2.2	4.3	4.4	5.0	3.9	3.4
Advertising & Promotion	3.0	3.0	2.6	2.5	2.5	3.1	2.3	2.2	2.0	2.6	2.6	2.1	2.3	2.6	3.4
Insurance	4.8	4.0	3.8	5.0	3.8	3.0	4.9	4.3	3.7	4.1	5.4	3.4	3.2	4.2	3.2
Shop Supplies & Expense	2.7	2.3	2.6	3.6	3.8	3.8	3.2	3.7	3.2	2.6	3.0	4.3	2.4	1.6	2.5
OPERATING PROFIT	9.3	12.5	9.7	5.9	9.7	8.7	6.9	5.7	7.9	10.3	1.8	7.2	6.2	9.2	9.4
NUMBER OF RESPONDENTS	45	40	42	66	46	56	64	55	48	27	39	47	62	59	61

TABLE V-3. FINANCIAL RATIOS BY REGION, 1985-1987 (Continued)

Financial Ratio	Midwest R-6			Rocky Mountain R-7			Northwest R-8			Pacific R-9			Canada R-10		
	1987	1986	1985	1987	1986	1985	1987	1986	1985	1987	1986	1985	1987	1986	1985
Current Ratio	1.37	1.20	1.27	1.63	1.42	1.27	2.04	2.26	1.72	1.52	1.45	1.50	1.27	1.40	1.18
Acid Test Ratio	.69	.65	.54	1.15	.97	.87	1.26	1.19	1.19	1.14	.99	.89	.71	.77	.70
Debt to Net Worth Ratio	.91	1.00	.93	1.53	1.12	1.33	.83	.78	.91	.91	.78	1.04	1.71	1.77	1.88
Return on Investment (expressed	24.7	23.2	14.8	-2.3	15.5	22.0	11.9	3.8	7.4	17.5	16.5	21.7	36.7	39.4	33.0
Return on Total Assets in	12.9	11.6	7.7	-0.9	7.3	9.4	6.5	2.1	3.9	9.2	9.3	10.6	13.6	14.2	11.5
Return on Revenues percentages)	8.1	8.5	5.6	-0.7	5.2	7.1	4.9	1.7	3.1	6.3	6.8	7.3	10.1	10.2	8.2
Average Collection Period (Days)	29	25	25	35	43	36	37	34	39	34	37	34	52	53	49
Profits on Rental Investment (expressed in percentages)	31.4	24.9	14.6	-1.8	16.4	19.9	14.0	6.0	7.1	20.5	17.8	21.7	35.2	45.8	32.1
Total Revenues to Rental Investment	3.9	2.9	2.6	2.6	3.1	2.8	2.9	3.6	2.3	3.3	2.6	3.0	3.5	4.5	3.9
Rental Revenues to Rental Investment	2.9	1.9	1.6	2.1	2.4	1.9	1.9	2.1	1.6	2.3	2.0	2.0	2.2	2.8	2.5
Rental Revenues to Equipment Cost	1.93	.87	.74	.74	.92	.95	.72	.78	.66	.88	.92	.87	1.01	1.17	.93
PERCENTS OF GROSS OPERATING PROFIT:															
Salaries & Wages	31.6	31.9	33.8	36.3	34.1	31.6	28.3	35.5	31.5	33.5	34.1	32.9	32.6	33.0	32.9
Employee Benefits	3.0	4.3	4.5	5.6	5.9	5.3	5.9	6.9	5.5	5.4	6.0	5.2	3.4	3.2	2.9
Total	34.6	36.2	38.3	41.9	40.0	36.9	34.2	42.4	37.0	38.9	40.1	38.1	36.0	36.2	35.8
Depreciation (All)	13.1	15.0	16.3	17.0	15.6	14.3	20.4	15.1	21.4	14.8	13.4	14.0	11.0	9.7	10.0
Occupancy Cost	7.4	7.0	7.0	7.5	8.0	7.1	7.0	8.1	8.1	6.0	5.8	5.6	6.4	7.8	7.0
Equipment Maintenance & Repair	6.5	6.7	8.1	7.7	7.6	9.5	5.5	6.8	8.7	8.2	8.5	9.7	8.3	8.1	7.3
Interest	3.1	3.7	3.5	4.0	3.2	4.1	3.4	4.0	3.7	3.0	2.8	3.7	4.5	4.4	3.7
Advertising & Promotion	3.4	3.4	3.6	2.4	2.2	1.9	3.2	3.5	2.4	2.2	2.0	2.0	3.0	3.0	2.6
Insurance	4.8	5.2	3.6	5.1	4.3	3.0	5.1	5.5	3.0	7.1	6.2	3.8	1.8	1.3	1.2
Shop Supplies & Expense	3.0	2.9	4.1	3.5	2.5	3.9	4.6	3.3	3.0	3.3	3.9	4.4	3.1	2.6	3.9
OPERATING PROFIT	9.1	8.9	6.2	-1.9	4.5	8.3	5.0	0.0	2.1	6.0	7.0	7.8	13.1	13.2	9.1
NUMBER OF RESPONDENTS	22	35	45	38	40	49	21	30	38	66	75	89	35	40	38

American Rental Association

COST OF DOING BUSINESS SURVEY

FOR CALENDAR YEAR 1987

(Or for the most recent fiscal year)

1. **TOTAL ANNUAL INCOME** (from all parts of your business, including sales). Check appropriate box:

   ☐ $000 to $200,000
   ☐ $200,001 to $500,000
   ☐ $500,001 to $1 million
   ☐ $1 million to $2½ million
   ☐ $2½ million to $5 million
   ☐ Over $5 million

2. **PROPORTION OF INCOME DERIVED FROM:**

   a Rentals _____ %
   b Sales _____ %
   c Other _____ %
   TOTAL 100 %

3. **TYPES OF EQUIPMENT RENTED:**

   It is very important that we be able to properly classify your business. The two parts of this question are intended to aid in classification.

   A Please indicate the proportion of income from each category.

   (1) **CONSTRUCTION & INDUSTRIAL:** Air compressors, air tools, asphalt, bituminous equipment, compaction, concrete equipment, conveyors, cranes, generators, alternators, engines, pumps, hoses, sand blasting, steam cleaners, scaffolding, shoring equipment, tractors, earth moving equipment, welders, barricades, local one-way system, trucks, campers, vacation trailers, car top carriers, utility trailers, hook-up accessories _____ %

   (2) **GENERAL RENTAL:** Small hand electric tools, gasoline powered tools, home-owner equipment, household equipment, small air compressors, air tools, utility trailers, hook-up equipment, baby equipment, rollaway beds, reducing equipment, camping equipment, sports and recreational equipment, automotive, plumbing, painting, electrical tools, lawn, garden equipment, material handling equipment, furniture and office equipment, convention and exhibition equipment, clothes washers, dryers, refrigerators, cameras, audio-visual equipment, television sets, etc. _____ %

   (3) **MEDICAL — PARTY:**
   Party Equipment: Tables, chairs, silver, glasses, linens, disposables, bars, rotisseries, costume rentals _____ %
   Medical Equipment: Wheelchairs, hospital beds, whirlpools, commodes, convalescent and sick room equipment of all kinds _____ % _____ %

   TOTAL **100** %

   B How do you classify your business? Please check only one category.

   1 Construction and Industrial _____
   2 General Rental _____
   3 Medical – Party _____

4. **LOCATION OF BUSINESS:** Identify **State** or **Province** where greatest proportion of income originates.

   _____

5. **NUMBER OF EMPLOYEES:** a Full time _____ b Part time _____

6. **AGE OF BUSINESS:** _____ years

7. **YARD AREA** _____ sq. ft.

8. **STORE AREA** _____ sq. ft.

Return To:
Browne, Bortz & Coddington
155 South Madison
Denver, Colorado 80209

EXPLANATIONS FOR INCOME & EXPENSE

ARA CHART OF ACCOUNTS NUMBER	
4100	**RENTAL INCOME** — all income directly related to rentals, including sub-rental commissions (net).
4800	**OTHER OPERATING INCOME** — U-Haul commissions, delivery income, etc.
4370	**COST OF SALES** — Cost (or depreciated book value) of equipment and merchandise sold.
5120	**SALARIES & WAGES** — include owner's salary or proprietor's drawings. *All salaries and wages are to be shown here.*
5130	**EMPLOYEE BENEFITS** — include all payroll taxes (5140), group insurance, etc.
5200	**EQUIPMENT MAINTENANCE & REPAIRS** — do not include depreciation or salaries and wages.
5240	**SHOP SUPPLIES & EXPENSE** — do not include depreciation or salaries and wages.
5300	**OCCUPANCY COST** — include rent; utilities; real estate taxes; building maintenance, repair and supplies; and depreciation of buildings and amortization of leasehold improvements (if any).
5420	**BAD DEBTS EXPENSE** — reserve provision or direct charge-offs.
5440	**ASSOCIATIONS & TRAVEL EXPENSES** — include dues, subscriptions, conference and convention expenses.
5500	**AUTOMOBILE & TRUCK EXPENSE** — do not include depreciation or salaries and wages.
5600	**INSURANCE** — all business insurance, other than employee benefits.
6200	**OTHER TAXES** — other than income, payroll and real estate taxes. Include licenses.

EXPLANATIONS FOR BALANCE SHEET

1240	**MERCHANDISE INVENTORIES** — cost of merchandise and equipment held for resale.
1400	**OTHER FIXED ASSETS** — include land, buildings, leasehold improvements, vehicles, furniture and fixtures, and all equipment not shown at Item 1300 (rental equipment).
2130	**CURRENT NOTES PAYABLE** — notes due within one year and current installments of long-term debt.
2300	**LONG-TERM DEBT** — mortgages, notes and loans payable in more than one year, less current installments (above).
3000	**NET WORTH** — for a corporation — capital stock, paid-in surplus and retained earnings (less treasury stock, if any); for a proprietorship or partnership — capital accounts and current earnings, less drawings.